

Annual Financial Statements

for

Ulundi Local Municipality

for the year ended 30 June 2017

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

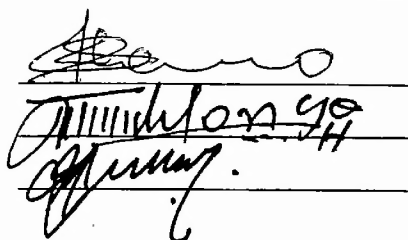
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Compiled by:

Reviewed by:

Approved by:



ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

General information

Legal form of entity Local Municipality

Municipal demarcation code KZN266

Nature of business and principal activities:

The main business operations of the Municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community rates and general service - All types of services rendered by the Municipality, excluding the following: Housing Services - Supply housing to the community and includes the rental of units owned by the Municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, and sewerage; - Electricity is bought in bulk from Eskom and distributed to consumers by the Municipality.

Members of the Council

Councillor W M Ntshangase (M)	His Worship the Mayor
Councillor T.G Madela (F)	Honourable Deputy Mayor
Councillor N.J Manana (F) - EXCO Ex Officio Member	Honourable Speaker
Councillor H.J Mlambo (M)	Member of the Executive Committee
Councillor R V Sibiya (M)	Member of the Executive Committee
Councillor H.S Sibiya (F)	Member of the Executive Committee
Councillor S M Buthelezi (M)	Member of the Executive Committee
Councillor R B Nyawo (M)	Member of the Executive Committee
Councillor B S Masondo (M)	Member of the Executive Committee
Councillor Prince T M Buthelezi (M)	Member of the Executive Committee

Ordinary Council Members

Councillor PM Mthethwa (M)	Councillor M E Buthelezi (M)
Councillor ND Masondo (M)	Councillor KP Ngema (M)
Councillor SN Buthelezi (M)	Councillor M Mdlalose (M)
Councillor ZB Mncube (M)	Councillor SD Sibiya (M)
Councillor J E Xulu (M)	Councillor S Z Mkhize (M)
Councillor Am Sibiya (M)	Councillor TP Khanyile (M)
Councillor BL Khumalo (M)	Councillor V Ngcobo (M)
Councillor MS Mhlongo (M)	Councillor JV Buthelezi (M)
Councillor T K Mkhize (M)	Councillor D Khoza (M)
Councillor L Yaka (M)	Councillor XT Mbatha (M)
Councillor MS Buthelezi (M)	Councillor SP Nakin (F)
Councillor MS Ximba (F)	Councillor NG Dlamini (F)
Councillor TD Sikhakhane (M)	Councillor S Ntshingila (F)
Councillor MR Dubazane (M)	Councillor IP Ngobese (F)
Councillor JT Gasa (M)	Councillor S F Cindi (F)
Councillor CK Zungu (M)	Councillor Z Siyaya (F)
Councillor MT Mthembu (M)	Councillor SS Buthelezi (F)
Councillor WV Mbatha (M)	Councillor MZ Sikhakhane (F)
	Councillor PB Mbatha (F)

Municipal Manager

Chief Financial Officer Mr N G Zulu

Grading of Local Authority Mr J H Mhlongo

Grade Grade 3

Auditors Low Capacity

Attorneys Auditor - General South Africa

Bankers Cox & Partners and Bothas Incorporated

First National Bank

ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

General information (continued)

Registered Office: Cnr Princess Magogo & King Zwelithini Streets, Ulundi

Physical address: *Cnr Princess Magogo & King Zwelithini Streets*
Ulundi
3838

Postal address: *Private Bag X17*
Ulundi
3838

Telephone number: +27 35 874 5100 +27 35 874 5800

Fax number: +27 35 870 3506

E-mail address: nzulu@ulundi.gov.za

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at 30 JUNE 2017 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

~~The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.~~

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the period to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 23 to note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 39, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer on 31 August 2017.

Accounting Officer: Mr N G Zulu

DATE :31 August 2017

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

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Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R Restated
ASSETS			
Current assets		68 635 159	42 279 862
Cash and cash equivalents	2	1 947 421	2 377 666
Trade and other receivables from exchange transactions	3	33 447 745	7 961 237
Other receivables from non-exchange transactions	4	22 275 569	22 886 116
Inventories	5	3 504 472	2 838 480
VAT receivable	6	7 459 952	6 216 363
Non-current assets		408 284 530	416 076 891
Property, plant and equipment	7	397 698 795	406 047 957
Heritage Assets	7.1	10 501	10 501
Investment property	8	9 915 000	9 915 000
Intangible assets	9	660 234	103 433
Total assets		476 919 690	458 356 753
LIABILITIES			
Current liabilities		139 378 111	120 502 557
Trade and other payables from exchange transactions	10	121 026 187	102 777 532
Consumer deposits		2 497 188	2 249 128
Current provisions	11	9 356 846	8 572 366
Current portion of unspent conditional grants and receipts	12	1 141 418	1 121 205
Current portion of long service awards	13	725 794	840 394
Current portion of finance lease liability	15	4 630 678	4 941 932
Non-current liabilities		4 497 179	9 127 857
Non-current portion of long service awards	13	4 497 179	4 497 179
Long term portion of finance-lease liability	15		4 630 678
Total liabilities		143 875 290	129 630 414
NET ASSETS		333 044 400	323 056 168
Reserves	16,2	10 690	10 690
Accumulated surplus	16,1	333 033 710	323 045 478
Total net assets		333 044 400	323 056 168

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R Restated
Revenue			
Revenue from exchange transactions:			
Service charges	18	92 534 853	65 648 003
Rental of facilities and equipment	19	1 043 918	971 013
Interest earned - external	20	776 601	3 956 490
Licences and permits		3 068 005	2 771 043
Other income	22	2 826 498	29 962 131
Revenue from non exchange transactions:			
Property rates	17	54 295 934	49 076 268
Property rates - penalties imposed and collection charges	17	11 416 944	9 004 277
Fines	36	7 240 151	15 387 163
Government grants and subsidies	21	182 647 885	182 102 476
Provision for bad debts adjustment	3	48 792 540	-
Total revenue		404 643 330	358 878 864
Expenses			
Employee related costs	23	114 230 839	102 912 764
Remuneration of councillors	24	14 211 321	14 057 365
Provision for Impairment of Trade Debtors	3	-	15 736 105
Depreciation	25	41 692 910	40 305 766
Amortisation	8	119 835	25 859
Bad Debts Written off		32 584 571	-
Repairs and maintenance	14	7 132 564	9 595 462
Finance costs	26	4 640 345	6 194 401
Bulk purchases	27	66 659 488	62 251 722
Contracted services	28	63 534 104	58 198 372
General expenses	29	49 739 606	46 101 196
Total expenses		394 545 581	355 379 012
Gain / (loss) on sale of assets	30	(109 517)	-
Profit / (loss) on fair value adjustment	8		
Surplus / (deficit) for the period		9 988 232	3 499 852

Ulundi Local Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R	R
Balance at 30 June 2016-as previously reported	10 690			381 673 790	381 684 480
Prior year adjustment Investment Property				(53 342 000)	-53 342 000
Rates penalties				(5 589 948)	
Creditors				(361 130)	
VAT				(2 835 085)	
Balance at 30 June 2016-now restated	10 690	-	-	319 545 627	319 556 317
				3 499 851	3 499 851
Restated balance at 30 June 2016	10 690			323 045 478	323 056 168
Surplus / (deficit) for the year - 2016/2017				9 988 232	9 988 232
Balance at 30 June 2017	10 690			333 033 710	333 044 400

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers and Government		377 108 240	330 378 465
Cash paid to suppliers and employees		(334 834 346)	(278 899 844)
	31	42 273 894	51 478 621
Interest received		759 637	1 161 430
Interest paid		(4 640 345)	(6 194 401)
Net cash flows from operating activities		38 393 186	46 445 650
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(34 129 902)	(44 936 195)
Proceeds from sale of fixed assets		-	-
Net cash flows from investing activities		(34 129 902)	(44 936 195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in consumer deposits		248 060	9 847
Increase(decrease) in Finance lease liability		(4 941 932)	(3 387 877)
Net cash flows from financing activities		(4 693 872)	(3 378 030)
Net increase / (decrease) in net cash and cash equivalents		(430 244)	(1 868 575)
Net cash and cash equivalents at beginning of period		2 377 665	4 246 240
Net cash and cash equivalents at end of period	32	1 947 421	2 377 665

STATEMENT OF ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2017

	Additions R	Under Construction R	Total Additions R	Budgeted Additions R	Variance
Infrastructure					
Roads	3 022 826	13 082 725	16 105 551	16 765 000	-659 449
Buildings	4 587 088	691 401	5 278 489	2 293 014	2 985 475
	7 609 914	13 774 126	21 384 040	19 058 014	2 326 026
Community Assets					
Recreational facilities	-	13 414 007	13 414 007	15 433 497	-2 019 490
	-	13 414 007	13 414 007	15 433 497	-2 019 490
Other Assets					
Furniture and fittings	560 771	-	560 771	571 000	-10 229
Computer Equipment	667 677	-	667 677	698 000	-30 323
Machinery and equipment	1 588 819	-	1 588 819	1 590 000	-1 181
Vehicles					-
	2 817 267	-	2 817 267	2 859 000	-41 733
Total	10 427 181	27 188 133	37 615 314	37 350 511	264 803

Ulundi Local Municipality
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2017

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue From Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liability and Contingent Assets
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue From Non Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Non Generating Assets
GRAP 102	Intangible Assets
GRAP 104	Financial Instruments
GRAP 1	Revenue Recognition (Traffic fines)

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and added and recorded to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a statement of comparison of actual and budget to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and Tractors	7
Sewerage	20	Office equipment	5
		Furniture and fittings	10
		computer software	3
Community		Machinery and Equipment	7
Buildings	30	Tools	5
Recreational facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

2.4 The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

~~The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.~~

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil Engineers appointed for the purpose, and the valuation process was completed during the financial year ending 30 June 2013

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The entity does not offset a financial asset or financial liability unless a legally enforceable right to offset the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. "Fair value methods and assumption. The fair values of financial instruments are determined as follows: The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unutilised securities), the company establishes fair value by using valuation techniques. These include the use of the recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs."

6.2 The effective interest rate

The effective interest rate method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

6.3 Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6.4 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.4.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.4.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.4.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6.4.5 INITIAL RECOGNITION

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and
(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

11.1 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11.2 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

11.3 Operating leases - lessees

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

11.4 Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

~~Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements.~~
Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. ~~Penalty interest on unpaid rates is recognised on a time proportionate basis.~~

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

15 IMPAIRMENT OF ASSETS

~~15.1~~ 15.1 Cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

~~15.2~~ 15.2 Non-cash-generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

Depreciation replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement:

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: - to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 Employee benefits

16.1 Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The Projected Unit Credit funding method has been used to determine the value of this liability.

16.2 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

16.3 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

17 Budget

The municipality's budget has been prepared on accrual basis method.

18 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the annual financial statements. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

19 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

21 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 JUNE 2017

	Note	2017 R	2016 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		15 611,00	172 735,00
Cash at bank		213 507,00	877 961,00
Call deposits		1 718 303,00	1 326 969,00
		<u>1 947 421,00</u>	<u>2 377 666,00</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Ulundi: 62035267609			
Cash book balance at beginning of year	825 691,00	825 691,00	
Cash book balance at end of period	194 962,00	825 691,00	
Bank statement balance at beginning of year	825 691,00	3 596 383,00	
Bank statement balance at end of period	194 962,00	825 691,00	

Current Account (Other Account)

First National Bank - Ulundi Branch: 62033637846			
Cash book balance at beginning of year	42 143,00	42 143,00	
Cash book balance at end of period	3 586,00	42 143,00	
Bank statement balance at beginning of year	42 143,00	42 143,00	
Bank statement balance at end of period	3 586,00	42 143,00	

Debit Card account

First National Bank - 8812710030007004			
Cash book balance at beginning of year	10 127		
Cash book balance at end of period	14 959	10 127	
Bank statement balance at beginning of year	10 127		
Bank statement balance at end of period	14 959	10 127	

Cash on hand

Petty cash	1 000	1 000	
Main direct cashiers clearing account	6 411	139 309	
Traffic cashiers clearing account	8 200	32 425	
	<u>15 611</u>	<u>172 735</u>	

Cash at bank

Primary bank account	194 962	825 691	
Salaries bank account	3 586	42 143	
Credit card	14 959	10 127	
	<u>213 507</u>	<u>877 961</u>	

Call Accounts - FNB

(FNB 62328066776 Electricity Sales Acc)	700 335	495 845	
(FNB 62324120261 DME Account)	2 736	6 022	
(FNB 62062833639 Housing Grant)	219 303	46 754	
(FNB 62067492802 Conditional Grant)	2 518	2 494	
(FNB 62064936093 FMG GRANT)	9 859	32 195	
(FNB 62064936340 Statutory Funds)	3 545	658 468	
(FNB 62064935855 Mayoral Empowerment)	6 708	6 642	
(FNB 62067492943 MIG Funds)	15 797	17 705	
(FNB 62067492638 Community Gardens)	2 056	2 035	
(FNB 62408436675 DDA)	11 314	10 925	
(FNB 62539513897 Disaster)	6 324	6 107	
(FNB 62228583888 MSIG ACC)	39 307	38 925	
(FNB 62179391190 Investment Acc Main)	688 650	647	
(FNB 62261683471 Traffic revenue)	9 851	2 205	
	<u>1 718 303</u>	<u>1 326 969</u>	

Short term deposits

Deposits on call with banks	1 718 303	1 326 969	
Cash on hand	15 611	172 735	
Cash at bank	213 507	877 961	
Total cash and cash equivalents	<u>1 947 421</u>	<u>2 377 685</u>	

Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants, as indicated hereunder:

Unutilised Conditional Grants	1 141 418	1 121 205	
Amounts Invested	1 718 303	1 326 969	
Surplus (Shortfall)	<u>576 885</u>	<u>205 764</u>	

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 JUNE 2017

	Note	2017 R	2016 R
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables	Gross Balances	Provision for	Net balance
as at 30 June 2017	R	Doubtful Debts	R
Service debtors	36 541 939	16 488 796	20 053 143
Rates	65 345 989	51 951 386	13 394 603
	<u>101 887 928</u>	<u>68 440 183</u>	<u>33 447 745</u>
 Total Trade and other receivables	 <u>101 887 928</u>	 <u>96 170 240</u>	 <u>96 170 240</u>
as at June 2016			
Service debtors	54 166 129	48 039 682	6 126 447
Rates	70 943 474	69 108 684	1 834 790
Total	<u>125 109 603</u>	<u>117 148 366</u>	<u>7 961 237</u>

Total Trade and other receivables 125 109 603 117 148 366 78 595 788

Rates: Ageing

Current (0 – 30 days)	1 977 731	1 648 802
31 - 60 Days	1 439 925	773 660
61 - 90 Days	1 094 025	612 867
91 - 120 Days	1 254 811	376 587
121 Days and over	59 579 497	67 531 558

Total 65 345 989 70 943 474

Electricity and other: Ageing

	2 017	2 016
Current (0 – 30 days)	5 701 041	18 519 244
31 - 60 Days	1 666 816	2 875 185
61 - 90 Days	2 375 720	3 529 678
91 - 120 Days	451 303	8 196 743
121 Days and over	22 437 496	21 045 279

Total 32 632 376 54 166 129

3 Reconciliation of the doubtful debt provision

Balance at beginning of the year	117 232 723	101 496 618
Contributions to doubtful debt provision	(48 792 540)	15 736 105
Reversal of provision		
Balance at end of year	<u>68 440 183</u>	<u>117 232 723</u>

The ageing of amounts past due but not impaired is as follows:

Current (0 – 30 days)	-	638 182
31 - 60 Days	-	
61 - 90 Days	846 192	
91 - 120 Days	305 798	
121 Days and over	67 288 193	
	<u>68 440 183</u>	<u>638 182</u>

No Government debts have been provided for in above amounts as per the Municipal approved policy.

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R68 440 183 were impaired and provided for.

The fair value of trade and other receivables approximates their carrying amounts.

101 887 928	125 109 603
<u>101 887 928</u>	<u>125 109 603</u>

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors (Petrol deposit)	30 000	30 000
Accrued interest on investments	1 813	8 641
Traffic fines accruals	22 222 464	17 231 702
Traffic fines (Fruitless expenses recovery)	-	25 000
Other debtors	21 292	5 590 773
Total Other Debtors	<u>22 275 569</u>	<u>22 886 116</u>

5 INVENTORIES

Opening balance	2 838 480	1 208 136
Stock received	4 655 237	4 985 637
Stock issued	(3 746 262)	(3 271 670)
Obsolete stock	(252 937)	(89 050)
Shortages/surpluses	9 954	5 427
Closing balance of inventories:	<u>3 504 472</u>	<u>2 838 480</u>

6 VAT RECEIVABLE

VAT provision	3 260 490	3 685 469
VAT receivable	4 199 462	2 530 894
	<u>7 459 952</u>	<u>6 216 363</u>

The municipality accounts for Value Added Tax on the cash basis.

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R	Total R
Carrying as at 01 July 2016	120 971 677	200 477 630	68 907 888	7 885 203	7 805 558	406 047 957
Cost/Revaluation	140 844 053	824 213 778	90 783 349	17 690 382	13 786 800	1 087 318 362
Accumulated depreciation and impairment losses	(19 872 376)	(623 736 148)	(21 875 461)	(9 805 179)	(5 981 242)	(681 270 405)
Movements for the period ended 30 JUNE 2017						
Movements for the year						
Acquisitions/ Additions	64 100	3 383 766	-	2 817 267	-	6 265 133
Capital Under Construction	691 401	13 082 725	13 414 007	-	-	27 188 133
Depreciation for the year	(2 813 669)	(29 700 891)	(2 877 139)	(1 705 612)	(4 595 600)	(41 692 910)
Transfers of Assets/disposals (cost)	-	-	-	(4 149 289)	-	(4 149 289)
Transfers of Assets/disposals (Accumulated Depreciation)	-	-	-	(4 039 782)	-	(4 039 782)
Cost/Revaluation	-	-	-	-	-	-
Carrying amount as at 30 JUNE 2017	118 913 509	187 243 230	79 444 756	8 887 342	3 209 958	397 698 795
Cost/Revaluation	141 599 554	840 680 269	104 197 356	16 358 350	13 786 800	1 116 622 329
Accumulated depreciation and impairment losses	(22 686 045)	(653 437 039)	(24 752 600)	(7 471 008)	(10 576 842)	(718 923 534)

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016
Property, Plant and Equipment (continued)

Reconciliation of Carrying Value	Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R	Total R
Carrying as at 01 July 2015	119 237 203	209 806 381	56 742 819	3 230 079	12 401 158	401 417 641
Cost/Revaluation	136 366 681	804 077 586	76 449 373	11 701 729	13 786 800	1 042 382 169
Accumulated depreciation and impairment losses	(17 129 478)	(594 271 205)	(19 706 554)	(8 471 650)	(1 385 642)	(640 964 528)
Movements for the year	1 628 367	1 361 650	289 075	5 988 653	-	9 267 745
Acquisitions/ Additions	2 849 005	18 774 542	14 044 901	-	-	35 668 448
Capital Under Construction	(2 742 898)	(29 464 943)	(2 168 907)	(1 333 529)	(4 595 600)	(40 305 877)
Depreciation for the year	-	-	-	-	-	-
Carrying amount as at 30 June 2016	120 971 677	200 477 630	68 907 888	7 885 203	7 805 558	406 047 957
Cost/Revaluation	140 844 053	824 213 778	90 783 349	17 690 382	13 786 800	1 087 318 362
Accumulated depreciation and impairment losses	(19 872 376)	(623 736 148)	(21 875 461)	(9 805 179)	(5 981 242)	(681 270 405)

	2017	2016
7.1 Heritage asset		
Opening balance	10 501	10 501
Movements	-	-
Closing balance	<u>10 501</u>	<u>10 501</u>

	2017	2016
8 INVESTMENT PROPERTY CARRIED AT FAIR VALUE		
Carrying amount beginning of the year		
Transferred to PPE	9 915 000	63 597 000
Prior period error	-	(53 342 000)
Sales recognised during the year	-	-
Lot D1715 incorrectly disclosed as investment property	-	-340 000
Carrying amount end of the year	<u>9 915 000</u>	<u>9 915 000</u>

Full listing was revalued, and ownership verified by Professional Valuers, Municipal Valuer, BPG Mass Appraisals, and it has been confirmed that the evaluated investment properties under the ownership of Ulundi Municipality.

	2017	2016
9 Intangible asset		
Opening balance	103 433	129 292
Cost	<u>232 727</u>	<u>232 727</u>
	(129 294)	(103 435)
Accumulated amortisation		
Write off - cost	-	-
Additions	676 636	-
Amortisation	-119 835	-25 859
Closing balance	<u>660 234</u>	<u>103 433</u>
Fair Value	<u>909 363</u>	<u>232 727</u>
Accumulated amortisation	<u>-249 129</u>	<u>-129 294</u>

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	R	2017	R	2016
10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS					
Trade creditors			69 365 937		63 782 621.00
Workmen's Compensation Fund			3 571 403		3 571 403.00
Unpresented cheques			26 710 854		19 686 976.00
Payments received in advance			4 413 755		4 675 506.00
Retentions			7 063 378		6 331 465.00
Deposits other			201 142		160 830.00
Land Sales Suspense			9 759 720		4 465 016.00
Other creditors			-		104 713.00
Total creditors			121 026 187		102 777 532.00
The fair value of trade and other payables approximates their carrying amounts.					
11. PROVISIONS, PERFORMANCE BONUS AND LEAVE PROVISION					
Opening			8 572 366		605 236.00
Decrease in performance provision			-58 209		26 740.00
Staff leave accrual			-		7 940 890.00
Increase in Leave provision			642 639		-
Total Provisions			8 356 846		8 571 866.00
Decrease in provision is due to the Head of Departments positions that were filled during the financial year which are not included in the provision.					
12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS					
Unspent conditional grants from other spheres of government			1 121 205		1 121 205.00
See note 21 for reconciliation of grants			1 141 418		1 121 205.00
13. LONG SERVICE LEAVE AWARDS					
			R		R
Accrued liability on 30 June 2016			4 497 179		4 058 265.00
Current service cost			453 625		338 705.00
Interest cost			435 625		300 338.00
Benefits paid			-840 394		-170 446.00
Current portion of long service			-725 794		-840 394.00
Actuarial loss/(Gain)			-		810 711.00
Prior year adjustment			-		-
Accrued liability on 30 JUNE 2017			3 820 241		4 497 179.00
The bonuses paid for the financial year ended 30 June 2017 should report on the actual payment of bonuses made. The actual bonuses obtainable from Ulundi accrued over the 2016/2017 financial year should be subtracted for and the difference netted off the actuarial (gains)/losses to retain the accrued net liability.					
14. REPAIRS AND MAINTAINANCE					
Buildings			785 408		1 018 241.00
Equipment			805 975		736 823.00
Fencing			33 389		-
Network			4 821 178		5 247 960.25
Roads Maintenance			903 594		1 596 293.00
Streetslights			1 859		329 350.00
Kiosk and Substations			235 910		550 638.00
Airconditioners			39 250		38 155.00
			7 132 564		9 555 462.25
15. FINANCE LEASE LIABILITY					
	2017	Minimum lease payment	Future finance charges	Future finance charges	
		R	R	R	
Amounts payable under finance leases					
Within one year		6 875 825	2 245 147		4 630 678.00
Within two to five years		6 875 825	2 245 147		4 630 678.00
Less: Amount due for settlement within 12 months (current portion)					4 630 678.00
	2016	Minimum lease payment	Future finance charges	Future finance charges	
		R	R	R	
Amounts payable under finance leases					
Within one year		9 592 277	4 640 345		4 941 932.00
Within two to five years		6 875 825	2 245 147		4 630 678.00
Less: Amount due for settlement within 12 months (current portion)		16 458 102	6 885 492		9 572 610.00
16.1 ACCUMULATED SURPLUS					
			2 017		2 016
(Deficit)/Surplus for the year			323 633 710		323 045 478.44
Other accumulated surplus			9 988 232		3 499 851.68
			323 045 478		319 545 626.75
16.2 Reserves					
Revaluation Reserves			10 690		10 690.00
			10 690		10 690.00

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		R	R
17. PROPERTY RATES			
Actual			
Residential		11 317 847	10 629 285.54
Commercial		15 637 330	12 063 377.00
Agriculture		2 531 524	2 356 772.00
State		29 382 186	27 696 959.00
Rates rebates		58 868 889	52 746 393.54
Total property rates		-4 572 955	-3 672 125.34
Property rates - penalties imposed and collection charges		54 295 934	49 076 266.20
Total		11 416 944	9 004 277.00
Valuations			
Residential		827 486 000	736 565 000.00
Commercial		554 254 000	554 254 000.00
State		952 707 000	1 043 842 000.00
Agriculture		734 062 200	734 062 200.00
Non-Residential		144 342 000	144 342 000.00
Total Property Valuations		3 212 851 200	3 212 866 200.00
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.			
A rate per category is applied to property valuations to determine assessment rates. Rebates of R15 000.00 per 1000m² and R15 000.00 additional rebates per 1000m² are granted to residential property owners.			
Rates are levied on an annual basis on property owners. Interest at 18% per annum is levied on outstanding rates.			
18. SERVICE CHARGES			
Sale of electricity		85 536 541	58 447 509.00
Refuse removal		6 998 312	7 200 494.02
Total Service Charges		92 534 853	65 648 003.02
19. RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		1 043 918	971 013.00
Total rentals		1 043 918	971 013.00
20. INTEREST EARNED - EXTERNAL INVESTMENTS			
Investments (Call deposits)		778 769	1 161 430.00
Sundry		47 832	2 795 056.77
Total Interest		776 601	3 956 486.77

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R
21 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		124 460 000	128 213 000.00
Conditional Grants utilised		58 182 885	53 889 476.00
Total Government Grant and Subsidies		182 642 885	182 102 476.00
21.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for rates which is funded from the grant.			
		124 460 000	100 017 000.00
21.2 MIG Grant			
Balance unspent at beginning of year		-	-
Current year receipts		22 492 000	33 957 000.00
Conditions met - transferred to revenue		-22 492 000	-33 957 000.00
Conditions still to be met - remain liabilities (see note 21)		-	-
<i>Specify explanations of conditions still to be met and other relevant information</i>			
21.3 Electrification of households			
Balance unspent at beginning of year		-	-
Current year receipts		25 000 000	15 000 000.00
Conditions met - transferred to revenue		-25 000 000	-15 000 000.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.4 ZDM Corridor Grant			
Balance unspent at beginning of year		-	535 575.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-535 575.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.5 Finance Management Grant			
Balance unspent at beginning of year		902	-
Current year receipts		1 725 000	1 700 000.00
Conditions met - transferred to revenue		-1 725 902	-1 609 096.00
Conditions still to be met - remain liabilities (see note 21)		-	902.00
21.6 Municipal Systems Improvement Grant			
Balance unspent at beginning of year		-	-
Current year receipts		-	930 000.00
Conditions met - transferred to revenue		-	-930 000.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.7 Developmental Planning Grant			
Balance unspent at beginning of year		28 493	28 493.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		28 493	28 493.00
21.8 EPWP Grant			
Balance unspent at beginning of year		-	-
Current year receipts		1 000 000	1 332 000.00
Conditions met - transferred to revenue		-1 000 000	-1 332 000.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.9 SETA Grant			
Balance unspent at beginning of year		2 995	2 695.00
Current year receipts		21 600	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		24 595	2 995.00
21.1 Admin. Capacity Building Grant			
Balance unspent at beginning of year		14 616	14 616.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		14 616	14 616.00
21.11 Strategic planning Grant			
Balance unspent at beginning of year		462	4 362.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-3 900.00
Conditions still to be met - remain liabilities (see note 21)		462	462.00
21.12 MFMA Implementation Grant			
Balance unspent at beginning of year		-	104 513.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-104 513.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.13 MDIS Support Grant			
Balance unspent at beginning of year		-	125 000.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-125 000.00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.14 Grant - Tourism			
Balance unspent at beginning of year		281 327	231 327.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		281 327	281 327.00
21.15 Grant - housing			
Balance unspent at beginning of year		73 180	73 180.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		73 180	73 180.00
21.16 Grant - investment plan			
Balance unspent at beginning of year		2 000	2 000.00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		2 000	2 000.00

Ulundi Local Municipality			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			
	Note	2 017	2 016
		R	R
21.17 Grant - sportsfields			
Balance unspent at beginning of year		280 355	314 555,00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-34 200,00
Conditions still to be met - remain liabilities (see note 21)		280 355	280 355,00
21.18 KZN Arts and Culture			
Balance unspent at beginning of year		-	126 000,00
Current year receipts		969 983	780 000,00
Conditions met - transferred to revenue		-969 983	-906 000,00
Conditions still to be met - remain liabilities (see note 21)		-	-
21.19 Other Government Grants and Subsidies			
Balance unspent at beginning of year		436 390	442 254,00
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)		436 390	442 254,00
Total unspent conditional grants		1 141 418	1 126 584,00
Changes in levels of government grants			
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	R	R	R
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS				
Other income (Reconnection fees, Tempenna Building plans Commission, Market stall Highmast)		2 826 498	4 172 503.00	
Wheeling charges			13 197 786.00	
Line losses			1 431 614.00	
Interest (Highway grant and wheeling)			11 155 226.00	
Total Other Income		2 826 498	29 962 131.00	
23 EMPLOYEE RELATED COSTS				
Employee related costs - Salaries and Wages		70 020 521	61 346 442.00	
Employee related costs - Contributions for UIF, pensions and medical aids		21 963 337	21 613 309.00	
Travel, motor car, accommodation, subsistence and other allowances		7 640 578	6 954 121.00	
Housing benefits and allowances			184 358	170 163.00
Overtime payments			1 693 914	2 315 410.00
Performance and other bonuses		4 604 328	4 004 568.00	
Other employee related costs		8 123 603	6 506 703.16	
Employee Related Costs		114 210 639	102 812 714.16	
There were no advances to employees / Loans to employees are set out in note 3				
Remuneration of the Municipal Manager				
Annual Remuneration		1 121 077	620 598.38	
Performance and other bonuses			61 483.00	
Travel, motor car, accommodation, subsistence and other allowances		106 509	113 080.00	
Contributions to UIF, Medical and Pension Funds		1 785		
Settlement			1 145 487.00	
Total		1 229 371	1 941 546.38	
Remuneration of the Municipal Manager				
Acting Allowance				33 554.00
Total				33 554.00
Remuneration of the Chief Finance Officer				
Annual Remuneration		824 277	774 863.55	
Performance and other bonuses			61 482.50	
Travel, motor car, accommodation, subsistence and other allowances		106 509	109 509.16	
Contributions to UIF, Medical and Pension Funds			1 784.64	
Total		934 571	947 639.85	
Remuneration of the Director Corporate Services				
Annual Remuneration		600 956	429 765.00	
Annual leave encashment		117 196		
Travel, motor car, accommodation, subsistence and other allowances		60 539	72 339.00	
Contributions to UIF, Medical and Pension Funds			892	1 190.00
Total		788 583	858 622.00	
Remuneration of Individual Executive Directors				
	Technical Services R	Planning & Development R	Community Services R	Protection Services R
2017				
Annual Remuneration	822 625	340 960	412 138	824 276.51
Performance and other bonuses				
Travel, motor car, accommodation, subsistence and other allowances	173 800	54 255	54 255	108 509.00
Contributions to UIF, Medical and Pension Funds	1 785	892	892	1 785.00
Total	998 210.43	396 106.00	467 285	934 570.52
2016				
Annual Remuneration	776 035	-	774 863	774 863.00
Performance and other bonuses	61 483	-	61 483	61 483.00
Travel, motor car, accommodation, subsistence and other allowances	173 800	-	102 509	106 509.00
Contributions to UIF, Medical and Pension Funds	1 785	-	1 785	1 785.00
Total	1 013 103	-	940 640	944 440.00
24 REMUNERATION OF COUNCILLORS				
				-47 570.00
Executive Mayor			756 562	782 480.00
Deputy Executive Mayor			601 285	631 058.00
Speaker			645 970	359 574.00
Executive Committee Members			2 753 420	2 963 579.00
Councillors			4 804 379	4 572 024.00
Councillors' allowances			4 649 705	4 748 650.00
Total Councillors' Remuneration			14 211 321	14 057 365.00
In-kind Benefits				
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.				
25 DEPRECIATION AND AMORTISATION EXPENSE				
Property, plant and equipment			41 803 918	40 305 766.00
Intangible assets			119 635	
Total Depreciation and Amortisation			41 923 553	40 305 766.00
26 FINANCE COSTS				
Finance Lease Interest			4 640 345	6 194 401.00
Total Finance Costs			4 640 345	6 194 401.00
27 BULK PURCHASES				
Electricity			66 659 488	62 251 722.00
Total Bulk Purchases			66 659 488	62 251 722.00

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		R	R
28 CONTRACTED SERVICES			
Hire of equipment		797 320	1 248 331.00
Hire of offices		291 737	293 438.00
Hire of Vehicles		7 683 364	2 331 906.00
Professional fees		2 719 005	1 495 632.00
Animal pound		324 214	1 043 320.00
Cash handling fee		512 820	250 022.00
Commission - Sale pre-paid Electricity		121 410	113 257.00
Commission - Traffic fines		747 025	1 674 570.00
Grant expenditure - FMG		600 563	1 163 384.00
Indisputable banals		1 529 383	1 748 423.00
Insurance		224 090	363 855.00
Legal expenses		1 621 753	1 481 411.00
Publicity		3 658 221	2 548 856.00
Telephone cost		1 524 739	2 342 822.00
Private Security Service		4 029 313	5 971 766.00
Refuse Removal contracts		7 777 091	7 482 172.00
Software and licenses		2 938 963	3 657 912.00
Grant expenditure - MIG		2 019 791	1 469 170.00
Grant expenditure - MSIG		-	921 723.00
Grant expenditure - Electrification of households		20 894 042	13 172 203.00
Sports & recreation infrastructure		3 804 893	15 000.00
Grant expenditure - Libraries		12 119	-
Grant expenditure-Grant-in-aid		7 456	-
Grant expenditure-Provisionalisation of Libraries		21 600	-
Grant expenditure - KZN Arts & Culture		-	900 547.00
MIG funded internally		-	1 229 768.00
Electrification projects funded internally		2 493 203	6 697 884.00
		63 534 194	58 198 372.00
29 GENERAL EXPENSES			
Included in general expenses are the following -			
Accommodation		760 407	730 432.88
Obsolete stock		251 360	84 242.36
Advertising		-	616 972.00
Arts and Culture		253 132	652 866.00
Audit fees - External		1 600 500	1 886 703.00
Audit fees - Audit committee		51 418	66 999.00
Bank charges		265 319	272 621.36
Back to Basic programme		2 396 112	-
Cash shortages		11 104	9.00
Chemicals and gases		60 000	63 850.00
Children hot day programme		35 750	-
Civic entertainment		831 183	940 832.53
Conference fees		132 663	38 001.80
Decorations		-	984.00
Delivery - Consumer accounts		116 678	171 568.00
Disaster relief		1 728 480	777 480.00
Emergency assistance programme		-	2 236 680.00
Entertainment / Refreshments		190 186	351 325.00
Electricity consumption-departmental		219 891	617 186.16
Expendable tools		43 711	86 284.00
Firearms & Consumables		-	7 718.00
Fuel and oil - machinery		-	18 000.00
Free basic Services - Electricity		1 035 220	173 768.00
Fruities and wasteful expenses		6 732 935	6 781 720.00
Hipmasts & streetlights		850 002	711 565.00
HIV/AIDS Projects		955 464	1 658 261.00
IDP projects		234 825	250 309.00
International programmes		58 500	84 948.00
LED projects		2 393 062	2 504 092.00
LED activities		2 601 055	765 910.00
LED strategy		1 530	198 600.00
Library material		-	86 318.23
License fees		-	1 580.00
Local/mayoral sports cup		-	1 393 419.00
Mayoral functions		1 498 361	1 753 947.00
Donations		-	1 300 700.00
Medical examination fees		1 170	11 709.00
Membership fees		941 851	876 114.00
Out of pocket expenses		41 943	120 832.00
PMS & IDP review		-	447 025.00
Periodicals		-	6 268.00
Printing and stationery		2 342 454	1 535 177.38
Programs - IT		-	54.83
Projects tourism		367 100	408 648.00
Promotional material		34 798	147 023.00
Quality Special projects/Grass cutting		1 942 145	1 031 941.00
Refuse bags		-	143 800.00
Refuse receptacles		106 833	145 700.00
Repeater licence fee		-	2 428.00
Small tools		-	10.00
Stamps and postage		-	8 421.00
Stocks and material		1 247 064	1 074 856.00
Streetlights		-	996 233.00
Stu'd-aid - Staff		74 484	41 865.61
Tourism brand awareness		249 500	213 890.00
Tourism education		134 400	181 159.00
Traffic fines expenditure		-	750.00
Training		1 493 657	1 946 107.35
Travel and subsistence		401 867	501 426.37
Transport		3 245 422	2 169 566.03
Uniforms & overalls		1 075 878	1 058 996.85
Valuation costs		33 900	40 047.00
Ward committees		1 604 236	1 195 926.00
Water charges		22 183	984 757.00
WCA		-	421 953.00
Weed killers and insecticides		10 535	19 850.00
Youth affairs		2 820 110	1 455 736.00
MSCOA Implementation		170 973	-
Trees & Fruits		6 060 348	-
		49 739 606	45 101 185.94

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2 017 R	2 016 R
30 GAIN/(LOSS) ON SALE OF ASSETS			
Loss on sale of land		-	-
Loss on sale of assets		-109 517	-
Total Gain/(Loss) on Sale of Assets		-109 517	-
31 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		11 652 105	3 499 651.30
Adjustment for: current year		-5 951 889	-
Depreciation and impairment		41 803 785	40 331 625.00
Disposal of land		109 507	-
Reduction in provisions		-341 994.00	-
Contribution to provisions - current		-48 708 183	17 041 653.00
Finance costs		4 640 345	5 194 401.00
Interest earned		-750 637	-1 161 430.00
Operations surplus before working capital changes		2 644 032	65 906 100.30
(Increase)/decrease in inventories		-410 420	-1 635 341.00
(Increase)/decrease in trade receivables		23 221 673	-17 433 000.00
(Increase)/decrease in other receivables		610 547	-10 722 981.00
(Increase)/decrease in VAT receivable		-2 914 427	1 554 243.00
Increase/(decrease) in conditional grants and receipts		20 213	-164 678.00
Increase/(decrease) in trade payables		19 192 274	13 959 299.00
Cash generated by/(utilised in) operations		42 273 604	51 476 680.30
32 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		1 947 421	2 377 664.60
Net cash and cash equivalents (net of bank overdrafts)		1 947 421	2 377 664.60
33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
33.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		1 992 000	-
Unauthorised expenditure current year		-	1 992 000.00
Approved by Council or condoned		-	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting NT approval for writing off		1 992 000	1 992 000.00
33.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance		28 501 255	18 709 570.00
Fruitless incurred during the year		6 732 935	9 791 770.00
Fruitless and wasteful expenditure for the period ended 30 June 2016		-	-
Condoned or written off by Council		-	-
Unauthorised expenditure awaiting NT approval for writing off		35 234 231	28 501 255.00
33.3 Irregular expenditure and Deviations			
33.3.1 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		43 047 836	43 047 836.00
Irregular expenditure current year		17 447 503	-
Condonement recommended or written off by Council		-	-
Awaiting Treasury's final approval		-	-
Transfer to receivables for recovery - not condoned		-	-
Irregular expenditure awaiting NT approval for writing off		55 490 739	43 047 836.00
33.3.2 Deviations			
Reconciliation of Deviations			
Opening balance		3 690 000	3 690 000.00
Deviations current year		2 325 753	-
Condoned or written off by Council		-6 015 753	-
Transfer to receivables for recovery - not condoned		-	-
Deviations awaiting condonement		0	3 690 000.00
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
34.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		1 498 361	876 114.00
Amount paid - current		-1 498 361	-876 114.00
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
34.2 Audit fees			
Opening balance		-	-
Current year audit fee		252 522	1 886 203.00
Amount paid - current year		-	-1 886 203.00
Amount paid - previous years		-	-
Balance unpaid (included in payables)		252 522	-

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2 017	2 016
		R	R
34.3 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		15 869 430	14 689 479.00
Amount paid - current year		-15 869 430	-14 689 479.00
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
34.4 Pension and Medical Aid Deductions			
Opening balance		-	-
Current year benefit deductions and Council Contributions		21 953 337	20 164 691.00
Amount paid - current year		-21 953 337	-20 164 691.00
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
34.5 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:-	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2017			
RI Manana	6 248	1 735	4 513.00
Prince N M Buthelez	947	204	743.00
Ad: R V Sekya	20 460		
TG Madela	9 11	172	343.00
	26 169.04	2 111	5 599.00
Total Councillor Arrear Consumer Accounts			
as at 30 June 2016			
RI Buthelez	1 517	1 233	284.02
Prince N M Buthelez	640	456	184.04
TG Madela	479	317	161.83
34.6 CAPITAL COMMITMENTS		2 017	2 016
Commitments in respect of capital expenditure			
- Approved and contracted for		54 492 000	54 491 999.00
Infrastructure		18 669 099.94	41 764 999.00
Community		10 622 906.06	12 727 000.00
Heritage		-	-
Other (Electrification)		25 000 000	-
This expenditure will be financed from:			
- Government Grants		54 492 000	54 491 999.00
- Own resources		54 492 000	54 491 999.00
34.7 Operating commitment		2 017	2 016
Commitments		25 000 000	25 813 225.00
		25 000 000	25 813 225.00
34.8 Operating leases			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year		-	1 172 385.00
Greater than one year		-	601 421.00
Total		-	1 773 781.00
Operating Leases consists of the following:			
Operating lease payments represent rentals payable by the municipality for certain of its office properties and motor vehicles. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable			
34.9 PENSION FUND INFORMATION			
34.9.1 Defined contribution plan			
Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015. The Actuary advised that the fund is 90.8% funded. The surcharge has been increased from 17% to 12.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded.			
34.9.2 SUPERANNUATION FUND			
The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that the fund was in deficit. A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 March 2014 to meet the deficit.			
The actuary has recommended the following:			
It is recommended that the local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries to be reviewed as at 31 March 2015			
34.9.3 Provident Fund			
The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.			
Certain Councillors and employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009.			
35 CONTINGENT LIABILITY			
Claim for damages			
The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.			
G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality	2 000 000	2 000 000.00	
Telkom SA vs Ulundi	200 000	-	
Mabaso case: the municipality is defending the matter, pleadings not yet closed	150 000	150 000.00	
Cloud media case: municipality defending the matter awaiting trial date.	400 000	400 000.00	
Umhomo Bid Appeal	800 000	600 000.00	
R & G Consultants and others vs Ulundi Municipality and others	70 000	200 000.00	
	3 620 000	3 350 000.00	

Ulundi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 2 017 2 016
R R

36. TRAFFIC FINES

An amount of R111 415 223 was outstanding at 30 June 2017, the collection rate was 8,88% based on past history collection pattern. R 895 705 relates to the charges withdrawn as a result an amount of R4 965 761 was accrued.

Cash received	2 274 390	4 663 580.00
Traffic fines as per GRAP 1	4 965 761	10 703 583.00
	7 240 151	15 367 163.00

KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipality's accounting policies and that have a material and significant effect on the amounts recognised in the financial statements.

37. DISTRIBUTION LOSSES

The municipality incurred distribution losses on electricity amounting to approximately 24 587 476 units for the period ended 30 June 2017. This loss amounted to approximately R15 214 730. These losses are calculated as the difference between power supplies purchased and sales recorded.

2 017 2 016,00

Number of consumers (Residential and Commercial)		
Units purchased (kwh)	73 705 733	75 990 659.00
Units sold (total)	49 118 257	41 815 196.00
Units lost in distribution	24 587 476	34 175 473.00
% Lost in distribution	21	33.00
Average cost per unit purchased (cents)	0.6165	0.62
TOTAL COST OF DISTRIBUTION LOSSES	15 214 730	28 023 847.86

A huge reduction from the previous financial year has been achieved. Further reductions are envisaged through the installation of 5000 pre-paid meters that will replace redundant and by-passed meters.

38. RISK MANAGEMENT

Maximum credit risk exposure

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss. The municipality is exposed to credit risk from its operating activities (primarily for trade receivables).

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

101 887 928 125 109 603.33

These balances represent the maximum exposure to credit risk.

Cash and cash equivalents

1 947 421 2 377 646.00

Trade receivables

101 887 928 125 109 603.33

Credit risk from balances with banks and financial institutions is managed by the municipality's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties.

Counterparty credit facilities are reviewed by MANCO on an annual basis, and may be updated throughout the year subject to approval by EXCO.

Financial assets exposed to credit risk at year end were as follows:

First National Bank Call Investments

1 718 303 1 326 960.00

These balances represent the maximum exposure to credit risk.

39. Liquidity risk

2 017 2 016,00

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end.

Loans payable-Finance Lease	4 630 678	4 941 932.00
Payables	69 365 937	104 713.00
Unspent conditional grants	1 141 418	1 126 584.00
	75 138 033	6 173 229.00

Ulundi Local Municipality			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			
	Note	2017	2016
		R	R
40. Going Concern			
The Annual Financial Statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for the next twelve months however it will continue to experience financial challenges due to the distribution loss on electricity which is sitting at 21% (R 15,21 Million) as disclosed in Note 37 of the Annual Financial Statements. Secondly this is also evidenced by current ratio (i.e. Current Assets / Current Liabilities) which is 0.52 : 1 against the norm of 2:1 in terms of Circular 71. Current liability			
For 2017/2018 all state entities including Government Departments have been billed annually for property rates to the value of R27 million in order for Ulundi Municipality to have advantage of bulk revenue collection which will also attract interest, further more following the issuing of the latest supplementary valuation roll it transpired that new developments and state properties that have been introduced to the valuation roll, these are benefits will be realised through implementation of Revenue Enhancement Strategy.			
It must be noted that all cash related challenges including Eskom are now manageable and that can be evidenced by the municipality's ability to service Eskom debt and at the same time honour its commitments as and when they become due. As a result all statutory payments are up to date. But it must be noted that Eskom is owing this municipality a sizeable amount and KZN Treasury is mediating on the matter.			
It must be remembered that Provincial Treasury was mediating between Eskom and Ulundi Municipality in terms of Section 44 of the MFMA which resulted in Eskom crediting this Municipality with an amount of R64 million which substantially contributed to the reduction of Eskom debt. Currently Eskom and Ulundi Municipality are in the process of signing a payment plan which will allow this municipality to pay the Eskom debt for a period of 36 months.			
This Municipality has also complied fully with the MFMA Circular number 82 of 2016 regarding Cost Containment measures that was done terminating certain contracts where it could be realised that there was enough capacity in-house to perform relevant tasks as it is currently nothing is spent on consultants, meaning that quite a sizeable amount of money will be saved in 2017/2018 financial year.			
41. Related parties			
Other than the related parties indicated in note 23 and 24 (refer to note on remuneration of employees and councillors), the municipality did not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.			
42. Events after the reporting date			
There were no events that occurred subsequent to 30 June 2017 that materially affected the presentation of annual financial statements for the period ended 30 June 2017.			
43. Prior year adjustment			
Accumulated surplus before adjustments			
Prior year adjustment Investment Property		(53 342 000)	
Rates penalties		(5 560 769)	
Creditors		(361 120)	
VAT		(2 835 085)	
Accumulated surplus after adjustments		-62 128 954	
The prior period error on Investment Property is due to a data cleansing process where it became clear that the properties that are classified as investment property they were already transferred to the occupants but Municipal records not reconciled to the deeds office data.			
44. Change in accounting estimate			
This is an adjustment of the carrying amount of an asset, or the amount of the periodic consumption of an asset (that results from the assessment of the present status of and expected future benefits and obligations associated with asset). Changes in accounting estimates result from new information or new developments and accordingly are not corrections of errors.			
The intangible asset has an estimated useful life of three years and after the reassessment of the useful life it was discovered that actually it should have been nine years.			
The increase (decrease) in profits caused by change is as follows			
Current year's profits		129 293	
Future profits		-129 293	
45. Contingent Asset			
ESKOM DEBT			
Historical Debt		31 000 000	
Distribution Loss		5 309 983	
Growth Demand		30 000 000	
Modelled Maximum Demand		1 490 739	
Nkorwen Feeder		3 145 921	
		70 946 673	